



February 21, 2003

SENATE BILL No. 463

DIGEST OF SB 463 (Updated February 19, 2003 2:35 PM - DI 104)

Citations Affected: IC 12-7; IC 12-15; noncode.

Synopsis: Medicaid case mix reimbursement changes. Establishes target statewide average occupancy rates for health facilities that receive Medicaid funding. Requires the state's Medicaid rate setting contractor to: (1) use the most recent completed year when calculating medians and provider rates; and (2) calculate the median for each rate component each quarter using all cost reports received by the state within a specified timeframe. Requires the office of Medicaid policy and planning: (1) to modify Medicaid reimbursement for health facilities to remove expenses for property taxes from the capital rate component and calculate the expenses in a new rate component; and (2) to adopt specified emergency and permanent rules. Specifies use of any increase in funding from certain intergovernmental transfers.

Effective: March 31, 2003 (retroactive); upon passage; July 1, 2003.

Dillon

January 21, 2003, read first time and referred to Committee on Health and Provider Services.

February 20, 2003, amended, reported favorably — Do Pass; reassigned to Committee on Finance.

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SB 463—LS 7808/DI 104+



February 21, 2003

First Regular Session 113th General Assembly (2003)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2002 Regular or Special Session of the General Assembly.

SENATE BILL No. 463

A BILL FOR AN ACT to amend the Indiana Code concerning Medicaid.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 12-7-2-131.8 IS ADDED TO THE INDIANA
- 2 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
- 3 [EFFECTIVE UPON PASSAGE]: **Sec. 131.8. "Most recent**
- 4 **completed year"**, for purposes of IC 12-15-14, has the meaning set
- 5 **forth in IC 12-15-14-6(b).**
- 6 SECTION 2. IC 12-7-2-189.8 IS ADDED TO THE INDIANA
- 7 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
- 8 [EFFECTIVE JULY 1, 2003]: **Sec. 189.8. "Target statewide average**
- 9 **occupancy rate"**, for purposes of IC 12-15-14, means the goal for
- 10 **the percentage of occupied licensed health facility beds in Indiana.**
- 11 SECTION 3. IC 12-15-14-2, AS AMENDED BY P.L.160-2001,
- 12 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 13 JULY 1, 2003]: Sec. 2. (a) Payment of nursing facility services shall be
- 14 determined in accordance with 42 U.S.C. 1396a(a)(13)(A) and any
- 15 other applicable federal statutes or regulations governing such
- 16 payments.
- 17 (b) The office may not require a provider to submit non-Medicaid

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revenue information in the provider's annual historical financial report. Non-Medicaid revenue information obtained by Medicaid auditors in the course of their audits may not be used for public reporting purposes.

(c) The office may only request complete balance sheet data that applies directly to the provider's facility. Complete balance sheet data acquired by the office under this subsection:

(1) is confidential; and

(2) may only be disclosed:

(A) in the aggregate; or

(B) for an individual facility;

if the office removes all non-Medicaid data.

(d) **The following target statewide average occupancy rates apply to a health facility that is licensed under IC 16-28 and receives Medicaid payments:**

(1) **For calendar year 2004, the target statewide average occupancy rate is seventy-five percent (75%).**

(2) **For calendar year 2005, the target statewide average occupancy rate is eighty-five percent (85%).**

(3) **After December 31, 2005, the target statewide average occupancy rate is ninety percent (90%).**

(e) **The office may adopt statewide policies to facilitate achievement of the target statewide average occupancy rate. These policies may include changing the Medicaid reimbursement system.**

(f) The office of the secretary shall adopt rules under IC 4-22-2 to implement the reimbursement system required by this section.

SECTION 4. IC 12-15-14-6 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE MARCH 31, 2003 (RETROACTIVE)]: **Sec. 6. (a) Beginning April 1, 2003, the state's Medicaid rate setting contractor shall calculate medians and provider rates using the most recent completed year as defined in subsection (b).**

(b) **"Most recent completed year", for purposes of this chapter and 405 IAC 1-14.6-7(a) and any successor rule, means the health facility's most recently completed fiscal year. The term does not mean the most recently completed cost reports on file.**

SECTION 5. IC 12-15-14-7 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE MARCH 31, 2003 (RETROACTIVE)]: **Sec. 7. (a) Beginning April 1, 2003, the state's Medicaid rate setting contractor shall calculate the median for each rate component each quarter, using all cost reports received by the state or the state's rate-setting contractor**

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1 within one hundred fifty (150) days after each health facility's
2 fiscal year end.

3 (b) The state's Medicaid rate setting contractor shall request
4 any additional information from a health facility not more than
5 twenty-one (21) days after the cost report is received by the state's
6 Medicaid rate setting contractor, and the state's Medicaid rate
7 setting contractor shall include in the medians and the health
8 facility's rate calculation all responses received within one hundred
9 ninety (190) days after the health facility's fiscal year end.

10 (c) If a draft audit report has been issued for a health facility
11 within one hundred fifty (150) days after the health facility's fiscal
12 year end, the state's Medicaid rate setting contractor may request
13 additional information relative to that draft audit report. If the
14 draft audit report is issued more than one hundred fifty (150) days
15 after the health facility's fiscal year end, the state's Medicaid rate
16 setting contractor may not request additional information relative
17 to that draft audit report for that rate review.

18 SECTION 6. IC 12-15-14-8 IS ADDED TO THE INDIANA CODE
19 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE
20 MARCH 31, 2003 (RETROACTIVE)]: Sec. 8. Beginning April 1,
21 2003, the office shall modify the Medicaid reimbursement system
22 for health facilities to remove expenses for property taxes from the
23 capital component (as defined in 405 IAC 1-14.6-2 (g)) and
24 calculate the expenses in a new rate component called property
25 taxes. The office may not add a profit add-on payment (405
26 IAC 1-14.6-9(b)) to the calculation of the property taxes rate
27 component. There is no limitation on the amount of the property
28 taxes rate component in the rate calculation.

29 SECTION 7. [EFFECTIVE JULY 1, 2003] (a) As used in this
30 SECTION, "office" refers to the office of Medicaid policy and
31 planning established by IC 12-8-6-1.

32 (b) Beginning in 2004, the office shall report the following to the
33 select joint commission on Medicaid oversight established by
34 IC 2-5-26-3 not later than October 31 of each year:

35 (1) A summary of any Medicaid program policy that was
36 implemented the preceding calendar year in order to facilitate
37 achievement of the target statewide average occupancy rate
38 described in IC 12-15-14-2, as amended by this act.

39 (2) The most current statewide average health facility
40 occupancy rates following the implementation of a policy
41 described in subdivision (1).

42 (3) Any Medicaid program policy change that the office is



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considering to achieve the target statewide average occupancy rate described in IC 12-15-14-2, as amended by this act.

(c) This SECTION expires December 31, 2006.

SECTION 8. [EFFECTIVE UPON PASSAGE] (a) As used in this SECTION, "office" refers to the office of Medicaid policy and planning established by IC 12-8-6-1.

(b) Not later than July 1, 2003, the office shall adopt emergency rules under IC 4-22-2-37.1 to amend 405 IAC 1-14.6 to implement:

- (1) IC 12-15-14-6;
- (2) IC 12-15-14-7; and
- (3) IC 12-15-14-8;

all as added by this act.

(c) If an increase in the federal financial participation that is generated through changing the methodology in implementing an intergovernmental transfer by a county health facility occurs, the office shall use the increase in funds to supplement Medicaid reimbursement for health facilities under the following:

- (1) IC 12-15-14-6;
- (2) IC 12-15-14-7; and
- (3) IC 12-15-14-8;

all as added by this act.

(d) Not later than January 1, 2004, the office shall adopt permanent rules under IC 4-22-2 to amend 405 IAC 1-14.6 to implement:

- (1) IC 12-15-14-6;
- (2) IC 12-15-14-7; and
- (3) IC 12-15-14-8;

all as added by this act.

(e) This SECTION expires June 30, 2007.

SECTION 9. An emergency is declared for this act.

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COMMITTEE REPORT

Mr. President: The Senate Committee on Health and Provider Services, to which was referred Senate Bill No. 463, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 1, between lines 5 and 6, begin a new paragraph and insert:

"SECTION 2. IC 12-7-2-189.8 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: **Sec. 189.8. "Target statewide average occupancy rate", for purposes of IC 12-15-14, means the goal for the percentage of occupied licensed health facility beds in Indiana.**

SECTION 3. IC 12-15-14-2, AS AMENDED BY P.L.160-2001, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 2. (a) Payment of nursing facility services shall be determined in accordance with 42 U.S.C. 1396a(a)(13)(A) and any other applicable federal statutes or regulations governing such payments.

(b) The office may not require a provider to submit non-Medicaid revenue information in the provider's annual historical financial report. Non-Medicaid revenue information obtained by Medicaid auditors in the course of their audits may not be used for public reporting purposes.

(c) The office may only request complete balance sheet data that applies directly to the provider's facility. Complete balance sheet data acquired by the office under this subsection:

- (1) is confidential; and
- (2) may only be disclosed:
 - (A) in the aggregate; or
 - (B) for an individual facility;

if the office removes all non-Medicaid data.

(d) **The following target statewide average occupancy rates apply to a health facility that is licensed under IC 16-28 and receives Medicaid payments:**

- (1) **For calendar year 2004, the target statewide average occupancy rate is seventy-five percent (75%).**
- (2) **For calendar year 2005, the target statewide average occupancy rate is eighty-five percent (85%).**
- (3) **After December 31, 2005, the target statewide average occupancy rate is ninety percent (90%).**

(e) **The office may adopt statewide policies to facilitate achievement of the target statewide average occupancy rate. These**



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policies may include changing the Medicaid reimbursement system.

(f) The office of the secretary shall adopt rules under IC 4-22-2 to implement the reimbursement system required by this section."

Page 2, between lines 32 and 33, begin a new paragraph and insert:

"SECTION 7. [EFFECTIVE JULY 1, 2003] (a) As used in this SECTION, "office" refers to the office of Medicaid policy and planning established by IC 12-8-6-1.

(b) Beginning in 2004, the office shall report the following to the select joint commission on Medicaid oversight established by IC 2-5-26-3 not later than October 31 of each year:

(1) A summary of any Medicaid program policy that was implemented the preceding calendar year in order to facilitate achievement of the target statewide average occupancy rate described in IC 12-15-14-2, as amended by this act.

(2) The most current statewide average health facility occupancy rates following the implementation of a policy described in subdivision (1).

(3) Any Medicaid program policy change that the office is considering to achieve the target statewide average occupancy rate described in IC 12-15-14-2, as amended by this act.

(c) This SECTION expires December 31, 2006."

Page 2, line 33, after "(a)" insert "As used in this SECTION, "office" refers to the office of Medicaid policy and planning established by IC 12-8-6-1.

(b)".

Page 2, line 40, delete "(b)" and insert "(c) If an increase in the federal financial participation that is generated through changing the methodology in implementing an intergovernmental transfer by a county health facility occurs, the office shall use the increase in funds to supplement Medicaid reimbursement for health facilities under the following:

(1) IC 12-15-14-6;

(2) IC 12-15-14-7; and

(3) IC 12-15-14-8;

all as added by this act.

(d)".

Page 3, line 5, delete "(c)" and insert "(e)".

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Renumber all SECTIONS consecutively.
and when so amended that said bill do pass and be reassigned to the
Senate Committee on Finance.

(Reference is to SB 463 as introduced.)

MILLER, Chairperson

Committee Vote: Yeas 9, Nays 0.

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